

2010-11 – 3rd QUARTER STATUS REPORT – Chief Executive Officer (A. Stausboll)

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Quantitative Performance Measure

Total Fund

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
5%	Excess return deviation in basis points relative to: Total Fund Performance Benchmark {SJ1CA1 – CPERST02}	-27 basis points = 0 +7 basis points = 1.0 +23 basis points = 1.5	+38 bps {18.62 – 18.24}

Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

Customer Focus

Weight	Performance Measure
30%	<p>By June 30, 2011, achieve Enterprise Priority #1 “Customer Focus,” as set forth in the 2010-11 Business Plan approved by the Board:</p> <ul style="list-style-type: none"> Enhance consistent, collaborative communication and engagement with stakeholders Ensure the PSR/ETM/PERT Project remains on schedule and within budget and implement planned activities in the PSR/ETM/PERT Recovery Plan Implement an enterprise web-based multi-channel communication service <p>(Specific tactics and milestones are set forth in the Business Plan)</p>
<p>3rd Quarter Status:</p> <p>Stakeholder Engagement</p> <ul style="list-style-type: none"> Completed internal reputational risk assessment, and launched external assessment. <p>PSR</p> <ul style="list-style-type: none"> Oversaw project to ensure high level executive involvement, allocation of appropriate resources, risk management, and communication. Project remains on schedule and within budget. On track to complete end-to-end test phase on schedule. Customer Acceptance Testing began in April. <p>Enterprise Web Based Communication Service</p> <ul style="list-style-type: none"> Program was expanded to full service operation. Communication/roll-out of web event service to the organization and customers scheduled for April. 	

Sustainability

Weight	Performance Measure
30%	<p>By June 30, 2011, achieve Enterprise Priority #2 “Sustainability,” as set forth in the 2010-11 Business Plan approved by the Board:</p> <ul style="list-style-type: none"> Protect stakeholder interests, assist policymakers in making decisions, and influence the state and federal pension reform debate Implement the 2010 Investment Roadmap strategies Implement federal health care reform legislation provisions Begin implementation of the CalPERS Health Benefit redesign and the restructure of the health rate strategy Implement key Information Technology Strategic Plan initiatives <p>(Specific tactics and milestones are set forth in the Business Plan)</p>

3rd Quarter Status:

Engage in State and Pension Reform Debate

- As CEO I personally engaged in numerous activities relative to the public pension debate, including the following:
 - Met with the following legislators and their staff to provide information on CalPERS: Assembly Member Connie Conway; Assembly Speaker John Perez; Assembly Member Felipe Fuentes; Assembly Member Bill Monning; Senator Mark Leno; Assembly Member Bob Blumenfield; Assembly Member Warren Furutani; Senator Dr. Ed Hernandez; Assembly Member Fiona Ma; Assembly Member Bob Wieckowsky; Senator Ted Gaines; Senator Christine Kehoe; Senator Alex Padilla; Senator Mimi Walters and Senator Gloria Negrete McLeod
 - Testified at Joint Informational Hearing of the Senate PE&R and Assembly PER&SS Committees (March 2, 2011)
 - Hosted Mid-Winter Pension Roundtable for large public pension funds, with focus on current issues relating to public pension changes (January 6-7, 2011)
 - Presented at Assembly Democratic Legislative Policy retreat (February 9, 2011) on public pension issues.
 - Presented at L.A. Trustees Round-Up (March 1, 2011)
- In addition, the following were accomplished:
 - Coordinated presentation on National Retirement security to Board at January 2011 Offsite
 - Completed educational toolkit for elected officials on funding public pensions and post-retirement medical benefits
 - Worked closely with the Legislature, the Governor's Office, and other stakeholders to provide appropriate technical assistance on legislative proposals
 - Presented to the BPAC and Board (March 2011) information and recommendations on the actuarial discount rate

Implement Federal Health Care Reform

- CalPERS has submitted its second application for reimbursement for approximately \$41 million in Early Retiree Reinsurance Program (ERRP) payments.
- Regulations regarding dependent age approved by the Secretary of State on February 15, 2011.
- Presented to Board at January 2011 Offsite an informational session on how Health Care Reform may further impact CalPERS and its members.

Begin Implementation of Health Benefit Redesign and Restructure of Health Rate Strategy

- Data-focused rate negotiations for 2012 rates are being implemented.
- Findings from market scan to evaluate health plan cost containment efforts were presented to Board in January 2011, and will be used to form strategies for plan relationships, benefit design and rate discussions, and cost containment.

Investment Office Roadmap

- In progress.

Implement Key Information Technology Strategic Plan Initiative

- Strategy for leveraging PSR automated services across the enterprise is in progress, and on target for completion in fiscal year.
- Implementation in progress for automating services in four priority administrative areas: contract management, Form 700 monitoring, recruitment and hiring, time and labor. The fifth priority application, for parking, was implemented in March 2011.

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Building Internal Strength

Weight	Performance Measure
25%	<p>By June 30, 2011, achieve Enterprise Priority #3 “Building Internal Strength,” as set forth in the 2010-11 Business Plan approved by the Board:</p> <ul style="list-style-type: none"> • Complete the special review of placement agent issues and adopt appropriate recommendations to implement governance changes • Attract, develop, and retain a diverse workforce and build a work culture that reflects diversity and inclusion best practices • Institute an enterprise Risk Management function to effectively evaluate, monitor, and manage risk across the organization • Complete the first phase of the Organizational Alignment initiative • Design and implement an enterprise Succession Plan framework to ensure leadership continuity, retention of institutional expertise, and development of staff <p>(Specific tactics and milestones are set forth in the Business Plan)</p>

3rd Quarter Status:

Special Review/Implement Appropriate Changes

- Presented Special Review Report with additional recommendations and implementation plan to the Board in March 2011; implementation plan and status is being reported to the Board each month.
- Working with legislature and sponsor as directed by Board, to implement gift and post-employment restriction rules.

Diversity in the Workforce/Work Culture

- Survey results unfortunately will not support this objective being fully met. Diversity and inclusion is a priority for the entire CalPERS executive management team. As previously reported to the Board, we are taking steps to address the survey results.
- Established specific Diversity and Inclusion objectives for all CEAs for 2011-12 to enhance accountability.
- Launched focus group of employees across the organization to analyze survey results and provide input on action steps.
- Implemented closed captioning in accordance with the Americans with Disabilities Act implemented.
- Webinars for Emerging Investment Managers are scheduled for June 1 and 28, 2011.

Institute Risk Management Function

- Chief Risk Officer was hired February 2011.
- Established risk intelligent guiding principles, governance framework, risk intelligent enterprise management policy, and Executive Risk Committee Charter, all of which have been presented to the Board's Ad Hoc Risk Committee.
- Conducted executive level “Black Swan” workshop.
- Established risk management framework and methodologies (including focus list and dashboard) for assessing and reporting risk.

Organizational Alignment Initiative

- First phase of the organizational design was implemented April 4. Communication activities in place to ensure smooth transition.
- Appointed Acting Chief Financial Officer.
- Obtained authors for legislation to establish Board authority to set compensation for permanent CFO position.
- Core Values (including new Balance value) and guiding behaviors approved by Senior Leadership and rolled out to organization in January 2011.
- Core Values video and discussion guide were prepared for use in connection with April Town Hall presentations.

Design and Implement Enterprise Succession Plan

- Developed Succession Plan framework and implementation is underway.
- Three workshop sessions conducted in March 2011 to train CalPERS managers and supervisors.
- Development of mentoring program in progress.

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Organizational Management Practices

Weight	Performance Measure
10%	By June 30, 2011, achieve improvements in enterprise management by: <ul style="list-style-type: none">• Maintaining an average enterprise-wide position vacancy rate of 5% or less through the Fiscal Year 2010-11• Ensuring all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2011• Ensuring all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2011• Maintaining an enterprise-wide 90 percent EPAD completion rate• Resolving all outstanding audit findings within 12 months of audit report

3rd Quarter Status:

- As of March 31, 2011, vacancy rate was 5.7 percent, trending downwards from 6.3 percent as of December 31, 2010, and 6.9 percent as of June 30, 2010.
- All CalPERS staff filers filed their Form 700s by the April 1, 2011 deadline.
- Ethics training and EPAD completion rates are being monitored and will be reported at year end.
- As of March 31, 2011, there were 32 internal audit findings over one year old pending resolution. Resolution of all 32 findings is currently in progress or being considered for Acceptance of Risk. For comparative purposes, as of December 31, 2010, 50 findings were over one year old, and as of December 31, 2009, there were 84 such findings.